

**REPORT OF THE AUDIT OF THE
EDMONTON METCALFE COUNTY
911 BOARD**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE EDMONTON METCALFE COUNTY 911 BOARD

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Edmonton Metcalfe County 911 Board for fiscal year ended June 30, 2004.

We have issued an unqualified opinion, based on our audit of the financial statements of the Edmonton Metcalfe County 911 Board.

Financial Condition:

The Board had net assets of \$5,232 as of June 30, 2004.

Deposits:

The Board's deposits were insured by the Federal Deposit Insurance Corporation (FDIC).

Comments:

- Lacks Adequate Segregation Of Duties
- The Edmonton Metcalfe County 911 Board Should Preapprove Budget And Expenditures
- Payroll And Payroll Related Liabilities Should Be Properly Handled
- The Edmonton Metcalfe County 911 Board Should Adopt An Administration Code, Personnel Policy, And Ethics Code

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Howard Garrett, Chairman
Members of the Edmonton Metcalfe County 911 Board

Independent Auditor's Report

We have audited the accompanying financial statements of the Edmonton Metcalfe County 911 Board, a joint venture of the Metcalfe County Fiscal Court and City of Edmonton, as of and for the year ended June 30, 2004, which collectively comprise the Board's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Edmonton Metcalfe County 911 Board. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Edmonton Metcalfe County 911 Board prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Edmonton Metcalfe County 911 Board, as of June 30, 2004, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the cash basis of accounting.

As described in Note 2, the Board has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2004.

The Edmonton Metcalfe County 911 Board has chosen not to present management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of the basic financial statements.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
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The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2006 on our consideration of Edmonton Metcalfe County 911 Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Lacks Adequate Segregation Of Duties
- The Edmonton Metcalfe County 911 Board Should Preapprove Budget And Expenditures
- Payroll And Payroll Related Liabilities Should Be Properly Handled
- The Edmonton Metcalfe County 911 Board Should Adopt An Administration Code, Personnel Policy, And Ethics Code

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
October 5, 2006

EDMONTON METCALFE COUNTY 911 BOARD OFFICIALS

For The Year Ended June 30, 2004

Board Members:

Donald M. Butler, II	Board Member/County Judge/Executive
Howard Garrett	Chairman of the Board/Mayor
Tony Harris	Board Member/Chief of Police
Rondal Shirley	Board Member/Sheriff
Dale Rowlett	Board Member/Magistrate
Curtis Estes	Board Member/City Council

Appointed Personnel:

Joe Gerughty	Supervisor
Barry Gilley	City Attorney
John P. Blevins	County Attorney

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**EDMONTON METCALFE COUNTY 911 BOARD
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET - CASH BASIS**

June 30, 2004

**EDMONTON METCALFE COUNTY 911 BOARD
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET - CASH BASIS**

June 30, 2004

	General Fund	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash	<u>\$ 5,232</u>		<u>\$ 5,232</u>
<u>Fund Balances/Net Assets</u>			
Unreserved	<u><u>\$ 5,232</u></u>		<u><u>\$ 5,232</u></u>
Net Assets:			
Unrestricted			<u><u>\$ 5,232</u></u>

The accompanying notes are an integral part of the financial statements.

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EDMONTON METCALFE COUNTY 911 BOARD
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND - CASH BASIS

For The Year Ended June 30, 2004

EDMONTON METCALFE COUNTY 911 BOARD
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND - CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental	\$ 125,002		\$ 125,002
Miscellaneous	3		3
Total Revenues	125,005		125,005
Expenditures			
Protection to Persons and Property:			
Gross Salaries	96,524		96,524
Health Insurance	10,565		10,565
Insurance	1,983		1,983
Division of Unemployment	894		894
Supplies	3,690		3,690
KACO - Insurance	3,331		3,331
Employer's Share Social Security	7,389		7,389
Utilities	2,901		2,901
Training	194		194
Miscellaneous	282		282
Total Expenditures	127,753		127,753
Excess (deficiency) of revenues over expenditures	(2,748)		
Change in net assets			(2,748)
Fund Balance/Net Assets			
Beginning of the Year	7,980		7,980
End of the Year	<u>\$ 5,232</u>	<u>\$ 0</u>	<u>\$ 5,232</u>

The accompanying notes are an integral part of the financial statements.

**EDMONTON METCALFE COUNTY 911 BOARD
NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. The Board

The Edmonton Metcalfe County 911 Board (Board), was adopted by Metcalfe County Fiscal Court on September 14, 1993 upon “the recommendations of the joint Committee that provides that the City and County will share 50/50 the cost of police dispatching; that the centralized location for the dispatching will be provided by the City . . .”

The Board is comprised of six members. These members are the county judge/executive, a fiscal court member, a member from the sheriff's department, the city mayor, a council member, and someone from the city police department. Legal representation is from the county and city attorneys.

B. Basis of Accounting

The Board presents its government wide and fund financial statements in accordance with a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions.

The Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements as they relate to the cash basis, including Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis, which mandates the new reporting model implemented by the Board.

C. Government Wide and Fund Financial Statements

The financial statement presentation for the Board includes separate columns reporting a statement of net assets and a statement of activities. These statements present an entity-wide presentation of all activities of the Board. A separate fund financial statement is also presented for the General Fund.

D. Cash and Cash Equivalents

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

E. General Fund

This is the primary operating fund of the Board. It accounts for all receipts and disbursements of the Board.

F. Fund Balance/Net Assets

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent the Board's intended use of the resources and should reflect actual plans approved by the Board. The Board's fund balance is unreserved.

EDMONTON METCALFE COUNTY 911 BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits

KRS 66.480 authorizes the Board to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). As of June 30, 2004, the Board's deposits were fully insured by FDIC.

Note 3. Assistance from Other Organizations

The Board is provided equipment and assistance by the Barren-Metcalf Emergency Communications Center (BMECC). An emergency call first comes in to the BMECC then is transferred on to the local 911. The BMECC was created by an agreement of the Barren County Fiscal Court, City of Glasgow, City of Cave City, City of Park City, City of Hiseville, Metcalfe County Fiscal Court, and City of Edmonton. According to the agreement, "The Barren County Fiscal Court and the Metcalfe County Fiscal Court shall, pursuant to KRS 65.760, establish fees to be paid by the general public as telephone users to pay the costs of establishing, maintaining, and operating the BMECC. These fees shall be established by ordinances passed by both Fiscal Courts." If the agreement is fully terminated, assets shall revert to the Barren County Fiscal Court and Metcalfe Fiscal Court equally.

Note 4. Intergovernmental Revenue

The Board receives contributions from the Metcalfe County Fiscal Court and the City of Edmonton. These governments each provide equal amounts of contribution. A majority of these receipts were expended on payroll for the dispatchers. Remaining expenses include supplies, utilities, and other operating expenses.

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COMMENTS AND RECOMMENDATIONS

EDMONTON METCALFE COUNTY 911 BOARD COMMENTS AND RECOMMENDATIONS

For The Fiscal Year Ended June 30, 2004

REPORTABLE CONDITIONS CONSIDERED TO BE MATERIAL WEAKNESSES:

Lacks Adequate Segregation Of Duties

The Edmonton Metcalfe County 911 Dispatch office lacks segregation of duties. The supervisor performs all bookkeeping functions. We recommend that the following controls be implemented to achieve an adequate segregation of duties:

- The Supervisor should have another person to recount the deposits. Any differences should be reconciled. This could be documented by initialing the bank deposit and receipts ledger.
- The Supervisor should have another person compare the financial report to receipts and disbursements ledgers for accuracy. This person should also compare the salaries listed on the financial report to the individual earnings records. Any differences should be reconciled. This could be documented by initialing the financial report.
- The Supervisor should have another person review all withholding reports before submitting to agencies. This could be documented by initialing the reports.
- The Supervisor should have another person compare invoices to payments. This could be documented by initialing the invoices.
- The Supervisor should have another person compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. This could be documented by initialing the bank reconciliation and the balance in the checkbook.
- The 911 Board should have more oversight over the 911 operations. The Board could review monthly bank reconciliations and monthly detailed financial reports.

Chairman Howard Garrett's Response: will recommend to the 911 Board that Assistant Supervisor be given authority to initial and implement these controls

County Judge/Executive Donald Butler's Response:

Oversight has been extremely poor. I will make motion to review in detail monthly financial reports, reconciliations, and all payments shall have receipts, P.O. and copy of checks (including back) before distribution, as well as bank deposit statements.

Supervisor Joe Gerugthy's Response:

We do have a co-sign on all checks prior to paying out. I will check with the board on getting someone to review the invoices and payments prior to paying.

The Edmonton Metcalfe County 911 Board Should Preapprove Budget And Expenditures

The Edmonton Metcalfe County 911 Board did not properly approve budget or expenditures. We noted the following:

- Expenditures are not approved prior to payment being made. The Supervisor pays the bills when they come due and then presents a financial report to be approved in the 911 Board meeting. The meetings are usually bimonthly. We recommend the 911 Board meet monthly and approve expenditures before payment.
- During review of 911 Board minutes, it was unclear which budget was approved. We recommend a copy of the approved line item budget be included in the minutes and the Supervisor compare the budget to actual receipts and expenditures. This should be documented.

**EDMONTON METCALFE COUNTY 911 BOARD
COMMENTS AND RECOMMENDATIONS
For Fiscal Year Ended June 30, 2004
(Continued)**

REPORTABLE CONDITIONS CONSIDERED TO BE MATERIAL WEAKNESSES: (Continued)

The Edmonton Metcalfe County 911 Board Should Preapprove Budget And Expenditures (Continued)

Chairman Howard Garrett's Response:

Board has always adopted a budget. Will recommend to the Board that we meet monthly and will ask the secretary of the 911 Board to have the adopted budget in the Board minutes.

County Judge/Executive Donald Butler's Response:

This practice is not good business. I will make motion that all bills be approved for payment by the Board before checks are written. The Board should be presented invoices and purchase orders attached to statement for payment at monthly meeting.

Supervisor Joe Gerughty's Response:

I will separate the budgets and make it clear on which was approved.

Payroll And Payroll Related Liabilities Should Be Properly Handled

Payroll was not properly documented or handled. Auditor noted several exceptions during the testing of payroll. They have been summarized below:

- The Supervisor was approved by the Board to work 16 hours in office and the remainder of his 40 hours offsite. To test if the Supervisor worked these hours in office, auditors performed reconciliations of payroll ledgers to timecards by computing hours that should have been worked and comparing to actual hours worked. During test of reconciliation of payroll hours, it was noted that 6 of 11 weeks tested did not reconcile. The reconciled weeks had timecards that actually documented 16 specific hours of work while the unreconciled timecards only reflected a total of 40 hours worked. We recommend actual days and hours worked be documented on time cards with an upper level management approving and signing all timecards.
- Employee salaries need to be approved by the 911 Board. The salaries are in the budget, but not actually approved through the 911 minutes. We recommend the 911 Board approve all salaries.
- W-4 and K-4 withholding forms need to be on file for all employees. When one employee's forms were requested, the employee filled it out and then gave to auditor. We recommend withholding forms be on file for all employees.
- Leave balances should be maintained for each employee.
- As of June 30, 2004, the 911 Board owes the federal government \$1,210 for additional employee federal withholdings. Auditors reconciled individual earnings records to 941s and noted this amount was not included on 941s. We recommend this to be paid to federal government.

EDMONTON METCALFE COUNTY 911 BOARD
COMMENTS AND RECOMMENDATIONS
For Fiscal Year Ended June 30, 2004
(Continued)

REPORTABLE CONDITIONS CONSIDERED TO BE MATERIAL WEAKNESSES: (Continued)

Payroll And Payroll Related Liabilities Should Be Properly Handled (Continued)

- Health insurance reimbursements to employees lack adequate documentation. Eleven out of fourteen reimbursements lacked a cancelled check and paid invoice for support prior to disbursement. One reimbursement lacked any supporting documentation. One reimbursement was paid to employee before supporting documentation was obtained or actual payment to insurance agency was made. We recommend a cancelled check (with endorsement) and invoice or other supporting documentation be presented before employee is reimbursed. One employee is on spouse's insurance. We recommend supporting documentation of health insurance payments be given to supervisor monthly or supervisor verify with spouse's employer before reimbursement is made.
- Auditor noted some payroll checks that were dated in August, but cleared in July. We recommend payroll checks be distributed on payday only.

Chairman Howard Garrett's Response:

- *Will recommend to the Board that the supervisor document actual days & hours working dispatch and days and hours work with administrative duties.*
- *Will recommend that the supervisor break out the employees' salaries individually instead of putting all employees in one total.*
- *Will recommend to the Board that all leave balances be maintain on each employee.*
- *Will recommend all payroll forms be filled out including W-4 and K-4 and kept on file annually.*
- *My understanding from the exit Auditor that this has already been paid. I will ask the supervisor to get a receipt to show that it has been paid.*
- *Will recommend to the Board that the documentation be on file before the employee is reimbursed.*
- *Will recommend that payroll checks be given out only on payday. What happen was that the employees picked up their checks on July 31, 2003 and the checks were run in the Banks processing before cutoff time of that date. The checks was dated for August 1, 2003.*

County Judge/Executive Donald Butler's Response:

Since the Supervisor's position is fulltime, I suggest that all hours worked be at the 911 Dispatch Center office and that all timecards and timesheets should reflect the number or hours worked in office, and if necessary any hours worked off site should be documented and verified. A Board designated person should sign off on the timecards and timesheets of the Supervisor. I suggest that all records of Edmonton-Metcalfe County 911 be kept at the Dispatch Center and not removed from the 911 Dispatch Center office because of the nature and confidentiality of the records and if misplaced, lost or stolen the potential of a lawsuit is possible.

The salaries for all Edmonton-Metcalfe 911 Dispatch employees should be approved by the Board and this approval should be reflected and documented in the minutes of the Board.

Payroll records need to be updated. All employees should have a payroll file with their W-4, K-4, insurance forms, along with any additional information or forms required, in their file and all employees' files should be updated annually and when changes are made by employees.

A log of vacation, holiday, and personal time should be kept.

**EDMONTON METCALFE COUNTY 911 BOARD
COMMENTS AND RECOMMENDATIONS
For Fiscal Year Ended June 30, 2004
(Continued)**

REPORTABLE CONDITIONS CONSIDERED TO BE MATERIAL WEAKNESSES: (Continued)

Payroll And Payroll Related Liabilities Should Be Properly Handled (Continued)

County Judge/Executive Donald Butler's Response: (Continued)

The balance owed the Federal Government for employee withholdings should be paid immediately, if the Supervisor has not already done so. Penalties and interest has more than likely accrued on amount owed. All 941's should be checked by another person to verify they are correct. The payment due the Federal Government as of June 30, 2004 should have been caught before audit, especially when quarterly reconciliations were done.

All employees should turn in receipts or canceled checks prior to reimbursement for health insurance benefits.

No payroll check for anyone or everyone should be post-dated. Checks should be delivered by the Supervisor, or Board appointed person, to each employee only on the designated payroll date.

Supervisor Joe Gerughty's Response:

The wks. not worked in the office as a dispatcher was covered and additional work of supervisory duties. I will document on the timecards more clearly as to what was done. The minutes of the meeting show that the judge did state that hrs worked were covered as long as I kept the budget within the approved amount. I did not have to be in the office as supervisor, (dispatching 16 hrs. a week).

The oversight on the Federal Gov. has been taken care of. I will show at the next 911 board meeting that payment has been paid.

The Edmonton Metcalfe County 911 Board Should Adopt An Administration Code, Personnel Policy, And Ethics Code

During planning the audit, we noted the 911 Board does not have a written administration code, personnel policy, or ethics code. Also it was noted that the Supervisor is the Chairman's nephew by marriage. The Chairman has the final approval if there is a disagreement between 911 Board members. We recommend the 911 Board obtain legal counsel advice and develop an administration code, personnel policy, and ethics code.

Chairman Howard Garrett's Response:

Chairman told Auditors that the supervisor was his Nephew by marriage and the supervisor position is hired by the 911 Board not by the Mayor. Chairman will recommend to the Board that all policies be developed and adopted.

County Judge/Executive Donald Butler's Response:

This is unacceptable. I will recommend in a motion that a development or adoption of all three codes (personnel policy, administration and ethics) be implemented immediately.

Supervisor Joe Gerughty's Response:

Check with board to make a more complete manual.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
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Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the Edmonton Metcalfe County 911 Board, as of and for the fiscal year ended June 30, 2004, and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Edmonton Metcalfe County 911 Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties
- The Edmonton Metcalfe County 911 Board Should Preapprove Budget And Expenditures
- Payroll And Payroll Related Liabilities Should Be Properly Handled
- The Edmonton Metcalfe County 911 Board Should Adopt An Administration Code, Personnel Policy, And Ethics Code

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Edmonton Metcalfe County 911 Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Edmonton Metcalfe County 911 Board, City of Edmonton, Metcalfe County Fiscal Court, and management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
October 5, 2006

